



Economic Impact Analysis Virginia Department of Planning and Budget

12 VAC 30-120 –Waiver Services Department of Medical Assistance Services September 12, 2005

The Department of Planning and Budget (DPB) has analyzed the economic impact of this proposed regulation in accordance with Section 2.2-4007.G of the Administrative Process Act and Executive Order Number 21 (02). Section 2.2-4007.G requires that such economic impact analyses include, but need not be limited to, the projected number of businesses or other entities to whom the regulation would apply, the identity of any localities and types of businesses or other entities particularly affected, the projected number of persons and employment positions to be affected, the projected costs to affected businesses or entities to implement or comply with the regulation, and the impact on the use and value of private property. The analysis presented below represents DPB's best estimate of these economic impacts.

Summary of the Proposed Regulation

The proposed regulations will permanently combine existing elderly and disabled waiver services with consumer direction waiver services making consumer-directed model of care available to consumers receiving services under the elderly and disabled waiver. The combined waiver services have been provided since February 2005 under emergency regulations.

Estimated Economic Impact

The proposed regulations will permanently combine existing elderly and disabled waiver services with consumer-directed waiver services. Elderly and disabled waiver provides adult day health care, respite care, personal care, and personal emergency response system services to consumers in their community in order to avoid their institutionalization. The consumer directed services, on the other hand, are primarily personal care services. The main differences between the two waivers are the scope of services provided and the delivery model utilized in provision of the covered services. Elderly and disabled waiver services are much broader in scope. Also, the

elderly and disabled waiver utilizes agency directed model of delivery as opposed to consumer directed model.

With the proposed changes, recipients of consumer directed personal care waiver will be eligible to receive adult day health care, respite care, and personal emergency response system services in addition to personal care services they are currently receiving. In fiscal year 2004, there were 417 recipients enrolled in consumer directed personal care waiver. Thus, we can expect some of these individuals to start receiving a broader scope of services. However, availability of three additional services does not necessarily imply a three-fold increase in fiscal expenditures. It appears that there is some degree of substitutability among these services. For example, a recipient may decrease the number of days he receives adult day health care if he has access to personal emergency response system services. Similarly, adult day health care and respite care services could be close substitutes for personal care services for some of the consumers.

The role of consumer direction on utilization is an important factor that has an effect on the potential fiscal impact of the proposed changes. With the proposed changes, recipients of consumer directed personal care waiver will not only be eligible to receive a broader scope of services, but also will have much more discretion. More consumer discretion could lead to better consumer satisfaction, higher utilization, and consequently higher level of per capita expenditures. Higher level of utilization of services that are provided in the recipients' community would, in turn, increase savings from avoiding institutionalized care. Thus, the proposed changes should provide net fiscal savings to the Commonwealth. In fact, the waiver costs should be lower than the costs of institutional care otherwise required in order to obtain an approval from the Centers for Medicare and Medicaid Services.

The effects of the proposed changes on recipients are expected to be a net improvement on their well being. The proposed changes do not take away anything from recipients, but instead provide access to more services and more discretion in the way these services are received. Since consumers will likely utilize new services and take advantage of the new service delivery model only if they choose to do so, we can reliably infer that consumer satisfaction will be improved under the proposed combined waiver services.

Businesses and Entities Affected

In fiscal year 2004, there were 10,161 individuals enrolled in the elderly and disabled waiver and 417 individuals in the consumer directed personal care waiver. In February 2005, 10,879 individuals were receiving services under the combined waiver.

Localities Particularly Affected

The proposed regulations apply throughout the Commonwealth.

Projected Impact on Employment

The proposed regulations could lessen the need for institutionalized care while increasing utilization of care provided in the recipients' community. Thus, a decrease in the demand for labor in nursing home type of institutions and an increase in the demand for labor in community based services industry are expected. However, the net potential impact on employment is unlikely to be significant.

Effects on the Use and Value of Private Property

To the extent the demand for institutionalized care services by recipients decrease and the demand for community based services increase we may see some small impact on their revenues, profitability, and consequently on their asset values.

Small Businesses: Costs and Other Effects

The Department of Medical Assistance Services estimates that there are approximately 280 providers that would be defined as small businesses providing community based care services. The proposed regulations are not anticipated to introduce any economic costs on these small businesses, but instead increase the demand for their services.

Small Businesses: Alternative Method that Minimizes Adverse Impact

The proposed regulations are not expected to create any adverse impact on small businesses.